

## **Secretary of the Navy**

### **Interview with Acting Secretary Thomas B. Modly for Defense & Aerospace Report**

**Speaker:**  
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**Acting Secretary of the Navy**

**Interviewer:**  
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ACTING SECRETARY THOMAS MODLY: (In progress) – and this is something to remember when I talk about gray hulls, when I talk about gray matter, and I talk about gray zones. The gray hulls issue is really sort of our force structure. And what's our force structure? We're talking about 355-ship Navy. My assessment is we haven't made significant progress in that regard. So I've asked the Navy to re-look at that number and help inform some decisions, and some investment decisions, and some arguments for the Congress and the president about what direction we should be heading in that regard.

And then also within that ship count we have problem programs that we need to really address. And number one right now – and I wouldn't really call this a problem program, but it is a program that is critical to the future of the Navy, and that's the USS Ford. It's the first in the class. It's a brand-new carrier. It's got 50-plus new technologies on this ship that make it very, very difficult to get it fully operational. And so we've been having challenges with that ship, and so we're going after that.

The second piece, sort of the gray matter, is really the investment in intellectual and technical development of our people. That's really going to be a critical competitive advantage in the end. And so we're spending a lot of time and money on that. I'm expanding the budget for naval education. We have hired a new chief – (inaudible) – officer who's addressing all those issues for us.

And the last thing, that I call gray zone, is not sort of the traditional concept of gray zone, but to me it's all those things that happen behind the scenes, the back office operations, how we're developing our human capital, all those things that contribute to creating an agile force for the future. So we are heavily emphasizing the business transformation, integration of IT, digital transformation, data standards and things like that, that are required for a 21st century Navy.

VAGO MURADIAN: On January the 15th you're going to get the integrated force structure assessment that many leading analysts are calling the most consequential fleet architecture review in a generation. Talk to us a little bit about the key elements of this, because for the first time you're going to counting large manned as well as unmanned platforms, as well as new classes of ships that you're going to be – (inaudible). Talk to us about what this is going to be producing. What are rough sort of order of magnitude numbers that people should be thinking of, because there is an enormous focus now since the president has made clear he wants 355 ships.

SEC. MODLY: Well, right. I think the most consequential element of this is it's probably the first time that we have – (inaudible) – INFSA, which is an Integrated Naval Force Structure Assessment. "IN" stands for integrated. And integrated, this is really the first time that the Navy and the Marine Corps have come to develop a force structure, to understand how the Navy and Marine Corps are going to integrate, how they're going to operate. And then that informs the types of ships – the types of ships we have, the type of ships that we want, and helps drive the best decisions on that going forward.

You mentioned the inclusion of unmanned ships, both underwater and surface vessels. They will not be counted in that sort of a ship count. I've called it – ever since I got sworn in as the under – I called it the force structure of the future will be something more like 355-plus. So those are the things that I sort of consider in that “plus” category. I think we're going to see a force structure that is going to reflect that. There will be new ship classes that I think will be traditionally considered battle force ships. But we haven't designed them yet. So you'll see the number. It's going to be something – it's not going to be a defined number. It's going to be more of a range. But I will guarantee you it's going to be more than 355 ships.

MR. MURADIAN: And, obviously, it's a time for a lot of experimentation. And Commandant Berger is also talking about new ways of projecting amphibious power, especially in highly-contested areas. One of – and we should expect to see things not just on the warfighting side of things, but also on amphib support and elsewhere, right?

SEC. MODLY: Yes, absolutely. I mean, that's all a part of the integrated force structure. And I think the other I – if we had two I's for it, but this also works – is its iterative function. We want to create a rhythm that we're constantly looking at this, we're constantly iterating this, we're constantly war-gaming this, testing it, experimenting to see what works. And that's why it's going to be more of a range. Now, on the big – the large, large capital ships we have to provide some level of certain to industry, so you won't see that much fluctuation. But in this “plus” category, this is where you're going to see less of a definition in numbers. And I think that's appropriate and right. And so I think that's what makes it so consequential.

MR. MURADIAN: The Navy is putting – has been putting an enormous amount of thought into what its unmanned – large unmanned underwater and large unmanned surface ships should be. Whether as weapons magazines, whether – (inaudible) – mapping and execution of very complex, persistent missions. And yet, some critics say the Navy hasn't done a good enough job of articulating what that position exactly is. Can you – you know, how do you fill that in? I mean, what's the elevator speech you're giving? Because it'll seem nebulous and this is a cynical town. There are a lot of folks who say, ah, well, you know, Tom's talking about this in order to have an out for getting out of building ships because of the definition of unmanned, for example. What's the unmanned warfighting position as it stands right now? And how does that drive the kind of capabilities you want (on our ships )?

SEC. MODLY: Well, so that's – I would say I don't disagree with that characterization. I don't think we're doing a great job of articulating how we would use these things. But that's what this process is all about. And it's come through some experimentation, some discussion to understand exactly, A, is this a capability that's, A, technically possible, that it's clearly technically possible. But then understanding now it operates, and how that's really going to work over the course of a campaign, that's a different story. And that's what we have to test and talk about.

And so I think we'll have some preliminary thoughts on that, but – and the Congress – we're in discussions with the Congress on this. They are very much supportive of the concept. They are saying: Show us that it works. Show us that you've proven this. Show us that you understand how it's going to work operational. And that's what this work is all about. And

that's why it's not – it's going to be sort of a never-ending process, because I don't think we can predict – I say this all the time. That the thing that we can most predict about our future security environment is that it's going to be unpredictable. So we have to develop capabilities that give us a full range of options. And that requires constant experimentation and change.

So are we moving towards unmanned? Absolutely. How are we going to deploy that unmanned? We have some ideas about that. But we really have to test those out. Will it impact a force structure in the next 10 years? I think it will. I've told them that – I've told the Navy generals – one of the first things I said when I got in the seat was: We need a more defined force structure. We can achieve it at 10 years. So that 10-year block of it I think will be pretty well defined. What goes beyond that 10 years I don't think will be well-defined, nor should it be. What that 10-year thing should get us is the agility and flexibility that we can adjust as conditions change here.

MR. MURADIAN: There was never a discussion about expanding, especially rapidly expanding, the size of the fleet. It's not a consideration of what kind of ships that the Navy has in mothballs to bring back. What's the role? Will we see, for example, frigates come back, but maybe fewer cruisers, because that juice may not be worth the squeeze? What's the role of bringing –

SEC. MODLY: Yeah, I think – yeah, Vago, I think we're going to explain all that when we release this information. I know there are some people who want to bring the 57s out of mothballs in Philadelphia. There is merit to that argument, but I think we need to look through those options and understand what's our best bang for the buck at the end of the day. If we were to bring those ships out, they really would only be available to us for 10 years. My personal bias is, I'd rather have new frigates out there. So if that's a trade we have to make for at least us getting to the larger fleet, I think it's a good trade. But ultimately that's – you know, are decisions that are the secretary of defense's decisions. We'll lay out options for them and they'll make that call.

MR. MURADIAN: One of the big debates, and without sort of criticizing any of your predecessors, but when there's been a focus on new ship construction, support and maintenance flags and creates challenges. The Navy has a nine-plus year backlog of maintenance. Assuming you make that \$25 billion shipyard investment plan that Tom Moore was spearheading at NAVSEA just on the other side of this Yard, you're backed up at every single facility. How do you eat through that backlog while at the same time expanding the fleet, without shortchanging – (inaudible)?

SEC. MODLY: Well, this is the – this is the budget challenge everyone has now. So a 355-ship Navy – a 355-plus-ship Navy is a 30 percent – 30 percent-plus increase in platforms from what we had when this president was elected. It was at 275. So you would – that would suggest that a larger fleet of that size is going to require that much more budget to be done. Our challenge is we're not going to get 30 percent of the budget to do this. So how do we do this in a more cost-effective way? It's still going to cost more than a flat budget, OK? So these are the decision points of the secretary of defense, the secretary of the navy has to help inform over the long term. And ultimately, it's the president's call. And the Congress has to fund it. So you

know, I feel that my job is to develop the options, give recommendations, fully inform, and then allow the decision-makers to, end of the day, make that call.

MR. MURADIAN: There's a tendency of almost saying – (inaudible) – ships part of it, but the success of this also depends on having enough sailors. I know we just had – (inaudible) – nine-month deployment. That's very, very tough on folks at the end of the day. And you also need enormous quantities of munitions – (inaudible) – get burned up at fantastic rates – (inaudible) – great-power competition, where now we're counting, you know, sort of individual rounds as we send ships out, especially on this defense patrol. We don't have as many of those weapons as we need. What's the – have you calculated what the total manpower you have is, and on the weapons side of things to try to expand that magazine depth and have – (inaudible)?

SEC. MODLY: Well, this is where the advantages of – (inaudible) – unmanned systems. You can send unmanned systems out there with the missiles on them. It reduces your manning requirement substantially. It also increases your reload capability. So that's going to be a part of what we're going to look at going forward. But also I think it's – the overall challenge is, hey, we got to figure out a way to make this maintenance better. That's why we're modernizing our shipyards. It's not just to have more modern facilities, but to get throughput better through there. Do it, and build ships that require fewer people, more automated systems. I mean, this is just the direction that you have to go. Otherwise, we won't be able to afford it.

MR. MURADIAN: If you look at all of the recent ship classes, every single one of them has had some challenges – whether it's the Littoral Combat Ship, whether it was the Zumwalt class, whether it's the Ford. Columbia is looking at challenges that could potentially be financially very deleterious to the Navy – (inaudible). At a time when you're getting ready to start a whole series of new warship programs, whether it's the – (inaudible) – submarine, which is in early stages of sketching out, or large unmanned surface combatants, what are some of the lessons that we need to take from some of these older programs as we embark on some of these newer programs, to make sure that we don't have those cost – (inaudible) – because overruns break your neck?

SEC. MODLY: Well, and that's exactly what's motivating a lot of the thinking behind unmanned, first of all. If you put an unmanned platform out there, all the life support systems that are required in manned are not there. So there's a whole series of things that you have to pay for and maintain on a manned vessel that you don't have to have on an unmanned vessel. So that's – the frigate program, for instance. We made a deliberate decision to go with an existing hull design. So all the competitors that are submitting bids on this are basically submitting a ship that's already been built, already been operational. We'll obviously have some upgrades and changes based on the requirements.

That's taken three years off the entire process of actually bringing a ship class. And what we're hoping is that will also translate into a reduced number of these first-in-class type integration issues that you can see in a ship. So that's the type of innovating thinking we're trying to attract to address the problems that you're talking about.

MR. MURADIAN: And does the one-third/one-third/one-third split along the surfaces kind of change? Are you having that conversation with Secretary Esper and the White House? And how receptive are folks to saying that the United States Navy needs to get more budget authority at the end of the day in order to meet its objectives?

SEC. MODLY: Well, I mean, it's a very – (inaudible) – answer – (inaudible). My answer is I think the Navy needs more than just a flat-line budget to meet changing conditions. And I also say that that matches up – it's not just my opinion because I'm in the Navy. I think it matches up with the National Defense Strategy. The National Defense Strategy is a heavily maritime-focused strategy. And that's why – that drives your ship requirement. That then drives you manning requirement. That drives all of that. So either the entire top line has to go up for all DOD or someone's going to have to get more of a share. From my perspective if that tradeoff has to come to be consistent with the strategy it would be the Navy. But again, that's not my call. I'm just an advocate for it, because I think it's the right thing. Ultimately that's Secretary Esper's – or whoever the secretary of defense is in the coming years – that's their decision to advocate that to the president.

MR. MURADIAN: Two questions. One, the Ford. You guys have been working that problem, the contractor team has been working it to sort out everything from – (inaudible) – gear to propulsion issues as well. What are you doing to make sure that this ship is a success and the subsequent ships are successes also, given that two of them are in build simultaneously?

SEC. MODLY: Well, we're going a lot of things. And we just – I just (left a room of ?) about 50 of the most senior people in the Navy. As I said, hey, it's all hands on-deck to get the Ford right. We just – we can't afford to have a bad ship. It's the most expensive asset we've ever bought as a Navy. We cannot afford to have that ship be some kind of a whipping boy for what's wrong with the Navy and, hey, you can't do things right. This ship is going to be an amazing, amazing ship once all the systems are working. And it is the future of our carrier force. It's not going to be the line one of the line. And so I said, hey, look, we've got to really get all hands on-deck on this to get this fixed.

There are some technical challenges. There have been some developmental challenges. But I think we're actually starting to see some progress headed in the right direction. But it's not – it's one of those things, like, I can't just make a speech or send out a memo and say, look, do this. The senior leadership – (inaudible) – engaged. And we may have to make some tradeoffs from other programs to get this thing right, to ensure that it's out there and doing what it needs to do.

MR. MURADIAN: You've had a dynamic start as acting secretary, but ultimately you're acting secretary. How much do you feel that you can get done in the time that you have?

SEC. MODLY: Well, that all depends on how long I'm in the job. But I've told people this before: I'm not the pretending secretary. I am the acting secretary and I've got all the abilities that the secretary would have. We're in the last year of this administration. And there are a lot of things that I would like to be able to influence, particularly a FY '22 POM that sets the Navy on the right course. All that can be reversed by whoever's in the seat after me but,

again, I don't really look at any type of timeframe. I just feel like I'm in the job, doing my job. It has certain responsibilities that don't – that don't really – those responsibilities don't change. My window of being in the job is two weeks or two years.

MR. MURADIAN: And you do feel a burning sense of urgency?

SEC. MODLY: I absolutely do, but I think I would – if I knew I was in this job with certainty for the next 10 years, I would still feel that sense of urgency. And that's not driven by my timeline. It's driven by the threats we see, and the complexities that we see, and how the Navy needs to prepare itself for that.

MR. MURADIAN: Acting Navy Secretary Tom Modly, sir, congratulations. Happy New Year. And also, great Navy win over Army.

SEC. MODLY: Absolutely. Thanks very much.

MR. MURADIAN: All right. Now, do you want to do the video? Are you ready?

SEC. MODLY: Where do you want me to move?

MR. MURADIAN: Yeah, you'll look at me. Yeah, you got it. Three, two one.

Welcome to the Defense and Aerospace Report. I'm Vago Muradian, here at the historic Washington Navy Yard, at the Navy Museum, to talk to Acting Secretary Tom Modly. Sir, thanks very much for the time.

Next week it's the Surface Navy Association's big show. Unfortunately, you're not going to be there. You're going to be in Pearl Harbor. Talk to us a little bit about your priorities and some of the messages we're going to hear from the Navy leaders next week.

SEC. MODLY: Sure. Well, my priorities are pretty simple. I'm focusing on three basic things. I call it gray hulls, gray matter, and gray zones. Gray hulls are really sort of our force structure, the type of ships we're looking to buy, how are we going to pay for it, what's the ship of the future? And then also, what's the condition of our current ships, and some of the problem areas that we need to address. It's one of the reasons I put as a high priority us getting after some of the issues that we have on the USS Gerald Ford.

The second point is gray matter. And this is all about the intellectual and ethical development of our people. We are implementing many of the recommendations of the Education for Sea Power study, which I think will have a tremendous impact on the future of the Navy, because I think that's really going to be our ultimate competitive advantage, is the intellectual abilities of our people.

And then the last thing I call gray zones. And that's really looking at all the things that we don't traditionally think about with respect to what supports the Navy. So our back – people call it back office business operations. But really those things are so critical. If we don't have

agile back office business operations we can't have an agile force. So we're looking at a variety of different things in that area – our human capital transformation strategy, our supply chain logistics transformation, the whole digital transformation, work that we're doing with the CIO. Those are the types of things that we're looking at in that gray zone area.

MR. MURADIAN: And what are some of the broader messages Navy leaders are going to be delivering there, even though you're not going to be there. What are some of those things?

SEC. MODLY: Well, I think they're going to – I think they will probably end up talking about the future force structure. We're doing an integrated force structure assessment right now, which will be delivered to me sometime in the next couple weeks. And I'm sure they'll be talking about that in theory, in terms of what that means for the future of the Navy. We have a new frigate program we're going to work this year. That's going to have pretty big implications for us. We're looking at all kinds of unmanned both surface and subsurface platforms. So I'm sure they'll be talking about all those issues, and how that fits into the future force.

MR. MURADIAN: And talk to us a little bit about that force structure assessment. It's due on your desk on the 15th, although you're going to be chewing over that with the senior team. Talk to us a little bit about the differentiated elements we're likely to see on this, because you're looking at new classes of ships not just on the manned and unmanned side, but also sort of rethinking the enterprise in a much more integrated fashion.

SEC. MODLY: Right. Well, the most interesting element of that is that it's an Integrated Naval Force Structure Assessment. So the Marine Corps and the Navy have been working on this together in lockstep since the beginning of this. I think we started it a few months ago. And they're looking at – it was sort of – you know, we were constrained by large surface vessels that take a long time to develop and to get into the pipeline, to have a stable industrial base to make them. But the question is, you know, is that the right structure for us going forward? Do we need to tweak some of those different categories? Do we need a change in mix from a high – very high number of large surface combatants to, perhaps, a higher number of small surface combatants. What about unmanned? How does that fit into the mix? What about our amphib structure? Is that really the right structure that we need for distributed maritime operations? So they're looking at all those factors. And I think there'll be some very interesting finds.

MR. MURADIAN: And do you think that at the end of the day – I just want to finish us off with a question. You're saying just finish it off? (Laughs.)

Sir, thanks very much for joining us. Hope you have a terrific trip. And looking forward to talking to you again when you're back – (inaudible).

SEC. MODLY: OK. Thanks, Vago. Appreciate it.

MR. MURADIAN: The assessment is going to lead to another less than 355 ships. How should people think about this document when they see it, because there's a focus of, you know, sort of been saying 340 and somehow unmanned is sort of a fudge to get you out of that 355

ship. What are folks more likely to see and how should they think about this when they see the document?

SEC. MODLY: Well, the first thing I would tell people is that don't jump to conclusions until you see the numbers. So I've heard that number floating around too. The recent numbers that I've seen are not that. So I don't know how to address that. But I think what they need to look at is potentially what I've been saying since I was sworn in as the under, is that the future force structure may be something more like 355-plus, which is what we traditionally think of as our battle force, with some other things in there. Perhaps battle force ships that we haven't designed yet, but we feel are critical, that – I'm not talking about small things. You know, things 200-feet long, or larger, that may be part of this new concept we're developing in terms of amphibious operations and supply chain logistics.

And then the unmanned piece of it, both surface and subsurface, this is also what I – what I consider the plus side, because they're not proven. We believe they have a role in the future. We're not trying to fudge it by saying these are battle force ships. We don't know quite what they are yet. Will they carry lethality? Yes. Will they carry – will they be able to operate on the high seas? Yes. Will they be totally unmanned? We're looking at that. So we're not – we're not trying to fudge the number. I'm pretty certain that the people that are pushing for 355 as a number based on the 2016 force structure assessment will be very happy with this one. So it's definitely not a reduction in the size of the Navy. In fact, it's probably totally the opposite in terms of we're recommending.

MR. MURADIAN: Acting Secretary of the United States Navy Tom Modly. And tune into the podcast this week to check out more of our conversation with the secretary. Sir, thanks very much for – (inaudible).

SEC. MODLY: OK, thanks, Vago.

All right. Thank you, sir.

(END)